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## CURRENT SUPPORT BRIEF

SINO-SOVIET AID TO ASIAN SATELLITES

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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SINO-SOVIET AID TO ASIAN SATELLITES

Competition between the USSR and Communist China in demonstrating concern for the economic well-being of the Asian satellites evidently has developed as a by-product of the Sino-Soviet dispute. While both Moscow and Peiping were expected to provide additional aid for the Asian satellite development programs initiated during 1961, the introduction of this competition will result in considerably greater benefits to the economies of these countries. There are no indications that either China or the USSR is attempting to become a monopolist in providing aid to the Asian satellites, but it is apparent that neither is willing to leave the field to the sole influence of the other. All evidence indicates that the aid and technical assistance has been given in the areas most appropriate to the capabilities of the USSR and Communist China.

The USSR and China have extended new assistance in a rapid sequence since 1960. China's offer of \$50 million credit to Mongolia in May 1960 was followed in September by an offer of Soviet aid three times as large; a Chinese credit of \$105 million extended to North Korea in October was followed by the USSR's cancelling \$190 million of North Korea's indebtedness in November; and when the Soviet Union made an offer of \$112 million to North Vietnam in December, the Chinese extended a \$157 million credit in January 1961. In July 1961 the USSR extended additional economic aid to North Korea following the signing of a mutual defense pact, and one week later China concluded a similar pact and included the provision for a possible increase in its economic assistance to North Korea.

Since 1950, the Soviet Union and Communist China have extended economic aid amounting to about \$2.5 billion to the Asian satellite countries of which approximately two-thirds had been utilized through 1960 (see table). While about 30 percent of this aid consisted of grants to North Korea and North Vietnam over the period 1950-55 for aid in reconstruction following the Korean and Indochina wars, since 1955 economic aid to the Asian satellites has been primarily in the form of credits for economic development extending over a wide range of industrial, construction, transport, and agricultural enterprises.

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## SINO-SOVIET CREDITS AND GRANTS TO THE ASIAN SATELLITES, 1949-June 1961

(in million current US \$)

	<u>USSR</u>	<u>China</u>
North Korea <u>a/</u>		
Total	690.0*	400.0
1949	40.0	
1950-53		70.0
1953	250.0	
1954		200.0
1956	117.5	
1958		25.0
1960		105.0
1949-60	282.5*	
North Vietnam <u>b/</u>		
Total	365.0	457.0
1955	100.0	200.0
1956-58	40.0	
1959	25.0	100.0
1960	200.0	
1961		157.0
Outer Mongolia <u>c/</u>		
Total	564.2	115.0
1947-56	225.0	
1956		40.0
1957	50.0	
1958		25.0
1960	153.8	50.0
1961	135.4	
Asian Satellites	1,619.2*	972.0

\* This total may overstate the actual amount of Soviet economic credits extended to North Korea for it includes debt cancellations which substantially exceed announced economic credits. Of the total debt cancellations reported in 1956 and 1960 amounting to \$132.5 and \$190.0 million respectively, only the \$40 million credit of 1949 can be accounted for. It is assumed, therefore, that part of the debt cancellation may have been joint stock or military credits.

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APPENDIXa. North Korea

USSR - Grant of \$250 million (1953) for industrial equipment and raw materials. Grant of \$75 million and loan of \$42.5 million (1956) primarily for industrial equipment. In 1956 and 1960 the USSR canceled the repayment of North Korean debts amounting to \$132.5 million and \$190 million respectively. Since economic credits announced by the USSR amount to much less than total cancellations it is assumed that part of these debt cancellations may have been joint stock or military credits.

China - Grants totaling \$70 million (1950-53) for "materials and funds" during the Korean war. Rehabilitation grant of \$200 million (1954) for consumer goods, transport, and machinery and equipment for such industries as chemicals, metallurgy, textile, glass, paper, and enamel. Loans of \$25 million (estimate) (1958) for a joint hydroelectric power project and 3 light industrial plants. Loan of \$105 million (1960) for whole sets of equipment, mainly for light industrial plants. Chinese technical aid included.

b. North Vietnam

USSR - Rehabilitation grant of \$100 million (1955) for industrial equipment and consumer goods. Loans of \$40 million (1956-58) believed to have been for settlement of deficits on trade account. Loan of \$25 million (1959) for industrial enterprises including a thermopower plant, a hydroelectric plant, and a refrigeration plant. Loan of \$87.5 million (1960) for expanding the production and processing of tropical crops (coffee, tea, rubber, fruits). Loan of \$107.5 million (1960) for the construction of 43 new industrial projects including eight thermal electric and hydroelectric stations, expansion of coal mines, eight machine-building factories, three scientific and research training institutes, exploration of mineral resources, as well as planning of other industrial works. Soviet technical aid included. Grant of \$5 million (1960) for equipment and specialists for an anti-malaria program.

China - Grant of \$200 million (1955) for reconstruction and development, such as irrigation projects, transport facilities, communications, and (limited extent) heavy industry. Grant of \$25 million (1959) and loan of \$75 million (1959) for continuation of above types, but with greater emphasis on industrial production facilities. Loan of \$157 million (1961) for construction or expansion of 28 industrial and transport enterprises, some of which were included under earlier agreements.

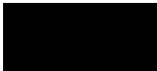
c. Outer Mongolia

USSR - Loans of \$225 million (1947-56) for industrial equipment, loan of \$50 million (1957) for industrial equipment. Loan of \$153.8 million (1960) for the construction of industrial plants and electric power facilities and the delivery of agricultural machinery, motor vehicles, and building materials. Loan of \$135.4 million (1961) for the expansion of housebuilding and communication facilities, and the delivery of machinery and equipment, building materials, and other goods. Mongolia has received additional aid from the USSR in the form of property transfers (joint stock companies and other property).

China - Grant of \$40 million (1956) for a number of projects such as bridges, roads, housing, and industrial plants. Loan of \$25 million (1958) for additional construction and industrial projects. Loan of \$50 million (1960) for additional construction and industrial projects. Chinese technical aid plus construction workers and laborers included.

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Analysts:



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Sources: This entire report is based on numerous sources available in  
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